

# MONTHLY REVENUE REPORT

## November 2006

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.76 billion in November, which was down a slight 0.4% from last year's level. While collections topped last year's level for the income, use, tobacco, State education, and casino taxes, these gains were offset by declines in the sales, single business, insurance, real estate transfer, and severance taxes. In addition, the revenue generated from "other taxes", which includes the beer, wine, liquor, industrial facilities, utility property, and estate taxes, along with tax-related penalty and interest payments, also was down from last year's level in November. However, the 0.4% decline in tax collections in November does not accurately reflect the true weakness in November's tax collections. A large increase in State education tax receipts was due to a shift in the timing of collections which pushed more collections into November. Excluding the receipts from the State education tax reveals that tax collections were actually down 4.5% in November. In addition, November tax collections fell short of the Senate Fiscal Agency's estimate by \$54.4 million.

Income tax net revenue totaled \$499.3 million in November, representing an increase of 1.3% from the year-ago level. Gross collections (withholding, quarterly, and annual payments) were up 2.3% to \$523.7 million. Some of this gain in gross receipts was offset by an increase in income tax refunds, which rose to \$24.4 million in November from the year-ago level of \$19.0 million.

Sales tax receipts dropped 6.7% in November to \$519.3 million. While a decline of this magnitude would typically be attributable to a noneconomic shift in the timing of receipts from one month to the next month caused when a month ends on a weekend, November did not end on a weekend. The last time a month with no month-end shift in collections experienced a decline this large was December 2000. The decline in sales tax collections in November occurred despite the fact that sales tax receipts from motor vehicle transactions increased 2.8%. This marked the second consecutive month that sales tax receipts from motor vehicle sales increased after declining 36 times during the previous 38 months. Sales tax collections from all other taxable retail sales dropped 7.6% in November.

Single business tax revenue totaled \$104.4 million, which was down 14.6% from last year's level. Using a three-month moving average to help smooth the volatile monthly pattern of single business tax collections reveals that collections for the three months ending in November were down 4.9%, which marked the fourth month in a row that these business tax receipts fell below their year-ago level.

State education tax receipts totaled \$295.3 million in November, representing an increase of 26.7%. It is estimated that this strong increase was due to fluctuations in the timing of monthly collections this year compared with last year and does not reflect actual growth in the revenue being generated by this tax.

Real estate transfer tax revenue totaled \$19.7 million in November, representing a decline of 28.1% from the year-ago level. This marked the seventh consecutive month, and the ninth time in the past 12 months, that real estate transfer tax collections declined from their year-ago level. This downward slide in real estate transfer tax receipts reflects the current downturn in the housing market.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for November 2006. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2006 Consensus Revenue Estimating Conference.



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**MICHIGAN REVENUE UPDATE**  
**NOVEMBER 2006**  
(dollars in millions)

Type of Revenue	November Collections		FY 2006-07 to Date <sup>2)</sup>		FY 2006-07 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2005-06
Gross Income Tax	\$523.7	2.3%	\$523.7	2.3%	\$8,143.9	2.6%
Refunds	(24.4)	28.4	(24.4)	28.4	(1,758.0)	4.7
Net Income Tax	\$499.3	1.3%	\$499.3	1.3%	\$6,385.9	2.1%
Sales Tax	519.3	(6.7)	519.3	(6.7)	6,958.7	3.7
Motor Vehicles	52.2	2.8	52.2	2.8	---	---
All Other Sales Tax	467.1	(7.6)	467.1	(7.6)	---	---
Use Tax	114.7	4.5	114.7	4.5	1,467.6	4.0
Tobacco Taxes	97.4	1.0	97.4	1.0	1,158.9	(1.7)
Single Business Tax	104.4	(14.6)	104.4	(14.6)	1,885.9	1.8
Insurance Tax	20.1	(25.3)	20.1	(25.3)	246.0	4.7
State Education Property Tax	295.3	26.7	295.3	26.7	2,116.0	5.3
Real Estate Transfer Tax	19.7	(28.1)	19.7	(28.1)	311.0	(2.8)
Casino Wagering Tax <sup>4)</sup>	25.6	3.6	25.6	3.6	155.5	2.0
Oil & Gas Severance Tax	5.0	(50.5)	5.0	(50.5)	76.0	(19.1)
Other Taxes <sup>5)</sup>	61.6	(12.4)	61.6	(12.4)	447.9	18.6
<b>Total</b>	<b>\$1,762.4</b>	<b>(0.4)</b>	<b>\$1,762.4</b>	<b>(0.4)</b>	<b>\$21,209.4</b>	<b>2.7</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$175.8	(1.5)%	\$345.9	(2.8)%	\$2,246.0	1.0%
Net to School Aid Fund <sup>4)</sup>	\$ 56.1	(4.7)%	\$114.3	(4.0)%	\$ 712.0	0.5%

1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.

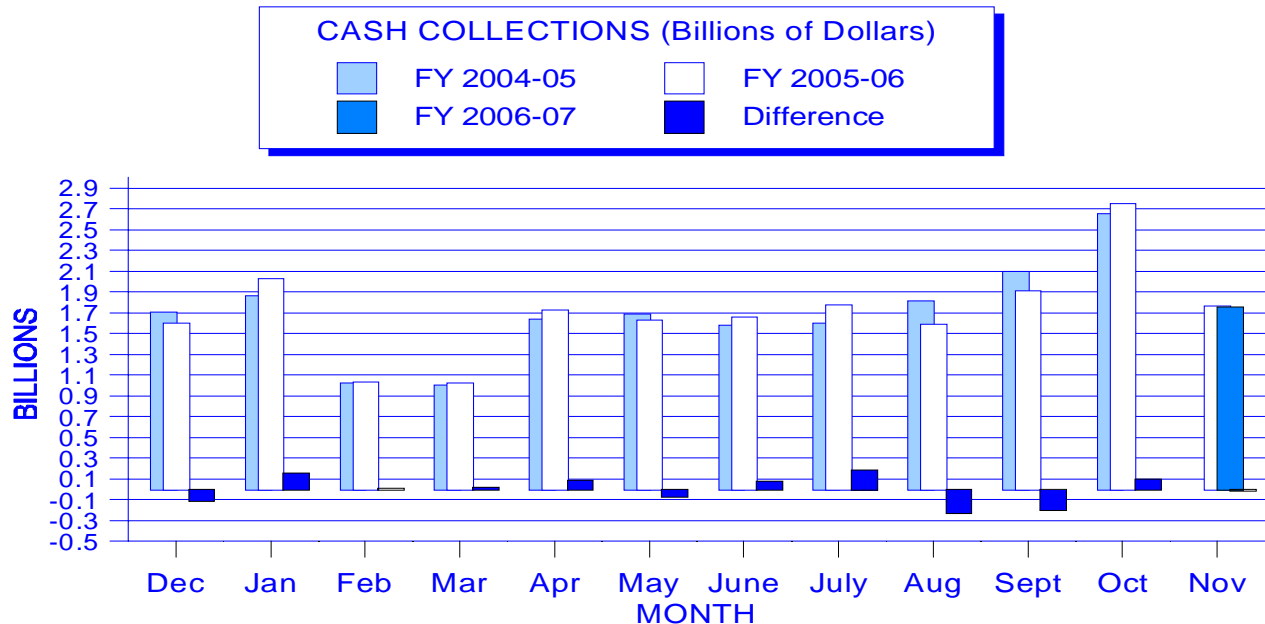
3) Consensus revenue estimates adopted at the May 17, 2006, Consensus Revenue Estimating Conference.

4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.

5) Other Taxes include beer, wine, liquor, industrial facilities, utility facilities, utility property, and estate taxes, and penalties and interest.

## Actual Revenue Collections for Major State Taxes\*

### December 2004 to November 2006



\*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.